



albeit not at the historic levels seen between 2000 and 2010, when it grew about 10.4 percent annually. The growth in the 2020s is expected to be about 5.5 percent per year (until 2030), which is still far above the expected growth for the United States (2.8 percent annually), Japan (1.2 percent annually), and Germany (1.7 percent annually). And the key is that consumption will now be the driving force behind the growth in China instead of foreign investment. The consumption forecast opens up opportunities for foreign companies to engage with Chinese consumers who are expected to have more purchasing power and discretionary spending.

But culturally translating market success from one country or even a large number of countries to the Chinese marketplace is not necessarily as straightforward as it may seem. Often, a combination of naiveté, arrogance, and cultural misunderstanding have led many well-known companies to fail in China. Lack of an understanding of issues such as local demands, buying habits, consumption values, and Chinese customers' personal beliefs led to struggles for companies that had been very successful elsewhere in the world. And as global as China is becoming, cultural differences still get magnified in the Chinese marketplace. Let's take a look at Best Buy and eBay as two examples.

Best Buy, the mega-store mainly focused on consumer electronics, was founded in 1966 as an audio specialty store. Best Buy entered China in 2006 by acquiring a majority interest in China's fourth-largest appliance retailer, Jiangsu Five Star Appliance, for \$180 million. But culture shock hit Best Buy, best described by Shaun Rein, the founder of China Market Research Group. First, the Chinese will not pay for Best Buy's overly expensive products unless they are a brand like Apple. Second, there is too much piracy in the Chinese market, and this reduces demand for electronics products at competitive market prices. Third, like many Europeans, the Chinese do not want to shop at huge mega-stores. So, these three seemingly easy-to-understand cultural issues created difficulties for Best Buy.

eBay, the popular e-business site focused on consumer-to-consumer purchases, was founded in 1995. The company was one of the true success stories that lived through the dot-com bubble in the 1990s. It is now a multibillion-dollar business with operations in more than 30 countries. But China's unique culture created problems for eBay. Contrary to the widespread cultural issues that faced Best Buy, one company in particular (Alibaba) and one feature more

specifically (built-in instant messaging) shaped a lot of the problems that eBay ran into in China. Some 200 million shoppers are using Alibaba's Tmall and Taobao platforms to buy products, and the company accounts for almost 80 percent of online transaction value in China.

Uniquely, Taobao's built-in instant messaging system has been cited as a main reason for its edge over eBay in China. Basically, customers wanted to be able to identify a seller's online status and communicate with them directly and easily—a function not seamlessly incorporated into eBay's China system. Clearly, built-in instant text messaging is a solvable obstacle in doing business in China. It sounds easy now that we know about it, but it may not always be the case when we take into account all the little things that are important in a market. How can a foreign company entering China ensure that it tackles the most important “little” things that end up being huge barriers to success?

## Sources

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## Case Discussion Questions

1. Will China maintain its strong economic growth in the years to come? Some suggest it will until 2050. What do you think?
2. If China will go from 17 million to 200 million middle- and upper-income people by the early 2020s, would the scenario presented by Best Buy not be applicable anymore? Would newly rich Chinese customers engage in this purchasing in the 2020s?
3. With Alibaba's ownership of the very popular Tmall and Taobao online shopping systems (similar to eBay and Amazon) and its spread across the world, will a Western-based online shopping culture ultimately infiltrate China?

## Lead in Toys and Drinking Water

Toys for children are made in numerous countries and then exported to buyers throughout the world. In some countries, such as the United States, certain protection exists to make sure that toys are safe for children. The U.S. Consumer Product Safety Commission (CPSC) reg-

ularly issues recalls of toys that have the potential to expose children to danger such as lead or other heavy metals. Lead may be found in the paint and in the plastic used to make the toys. If ingested (e.g., children chewing on toys), lead is poisonous and can damage the nervous

system and cause brain disorders. Lead is also a neurotoxin that can accumulate in both soft tissue and bones in the body.

For these reasons, lead was banned in house paint, on toys marketed to children, and in dishes or cookware in the United States in 1978. In addition, in an agreement between China's General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) and CPSC, the Chinese agreed to take action to eliminate the use of lead paint for Chinese-manufactured toys that are exported to the United States. With China's prominence as a toy manufacturing country, this agreement was a step toward making safe products for children.

Still, lead continues to be a hazard in a quarter of all U.S. homes with children under age 6. A wide range of toys and children's products, including many market-leading and reputable brands, often contain either lead or other heavy metals (e.g., arsenic, cadmium, mercury, antimony, or chromium). Estimates exist that suggest that one-third of Chinese toys still contain heavy metals. These estimates are supported by researchers from Greenpeace and IPEN, who conducted a study by using 500 toys and children's products they bought in five Chinese cities. They tested the products with handheld X-ray scanners and found that 163 of the toys were tainted with heavy metals above the norm (32.6 percent). "These contaminated toys not only poison children when chewed or touched, but can enter the body through the air they breathe," said Ada Kong Cheuk-san at Greenpeace. This testing result is a major problem given that China manufactures 80 percent of the toys sold in the United States.

While lead in the paint on toys has not been eliminated, the focus on cleaning up lead in the paint has been given front-page coverage in the news for the last decade. Lead in toys is certainly not gone, but at least more and more people are paying attention. Several organizations—both governmental and private—are examining lead-based paint in toys on a continual basis. For example, *The New York Times* and *Consumer Reports* recently found that dangerous products for children are still widely available. The Ecology Center, which is headquartered in Ann Arbor, Michigan, has created a website called HealthyStuff.org that contains a database of toys and other products that have been tested for dangerous chemicals.

While lead in paint seems to be in focus, the use of lead in plastics has not been banned! Lead is used to soften the plastic and make it more flexible to allow it to go back to its original shape after children play with the toys. Plus, lead may also be used in plastic toys to stabilize molecules from heat. Unfortunately, when the plastic is exposed to sunlight, air, and detergents, for example, the chemical bond between the lead and plastics breaks down and forms dust that can enter the

human body. Another unfortunate part about lead is that it is invisible to the naked eye and has no detectable smell. This means that children may be exposed to lead from toys (and other consumer products) through normal playing activity (e.g., hand-to-mouth activity). As everyone with children knows, children often put toys, fingers, and other objects in their mouth, exposing themselves to lead paint or dust.

The Flint, Michigan, water crisis that spanned 2014 to 2017 is one significant news story that highlighted the unfortunate part about lead being invisible and with no detectable smell. The Flint water crisis started in April 2014 when Flint city management changed its water source from the treated Detroit Water and Sewerage Department water (which is sourced from Lake Huron and the Detroit River) to the Flint River. A critical mistake in making this switch of water source was that Flint officials failed to apply corrosion inhibitors to the water. The result was that upward of 12,000 children were exposed to drinking water with high levels of lead. Contaminated drinking water—with lead or other contaminants—is a problem that affects some 1.8 billion people in the world according to the World Health Organization.

Children are also more vulnerable to lead than adults; there is no safe level of lead for children. The worldwide toy industry has published a voluntary standard of 90 ppm (parts per million) for lead in toys, which, of course, is greater than a ban on lead in paint used for toys and in the materials used to make the toys (such as plastics). But since 2007, the world has at least seen stricter standards—either voluntary or regulated standards—that make it safer for children to play with newly purchased toys. The CPSC in the United States, the European Union, and China's AQSIQ are actively monitoring and enforcing stricter standards. But, according to Scott Wolfson of the CPSC, many toy manufacturers have been violating safety regulations for almost 30 years. So, are toys safer now and are they really safe to play with throughout the world? What do we do with the old toys, old water pipes, and untested products?

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